

D.A. STUART OIL CO., LIMITED ANNUAL REPORT, 1970



ac corp





D. A. STUART OIL CO., LIMITED

and its wholly owned subsidiaries

**CONSOLIDATED STATEMENT OF SOURCE AND
USE OF FUNDS**(Expressed in United States currency and
subject to audit and year end adjustments)

	Six months ended November 30,	
	1971	1970
		restated
Source of funds		
Net income (loss for the period)	\$ 63,164	\$ (45,370)
Items not involving current funds		
Depreciation	70,923	86,676
Deferred income taxes	112	520
Allowance for share of losses of associated companies	54,800	58,080
	<u>188,999</u>	<u>99,906</u>
Decrease in advances to other companies		20,783
8½% Note payable		57,000
	<u>188,999</u>	<u>177,689</u>
Use of funds		
Dividends	45,051	133,565
Additions to fixed assets (net)	129,371	191,272
Increase in investment in and advances to asso- ciated companies in Continental Europe ...	31,899	78,820
Increase in advances to other companies	12,160	
Decrease in non-current portion of long-term debt	30,240	26,482
Life insurance cash sur- render value	212	20,250
Increase in provision for guarantee of bank loans	22,901	
	<u>271,834</u>	<u>450,389</u>
Decrease in working capital	82,835	272,700
Working capital at beginning of period	<u>1,853,954</u>	<u>2,133,153</u>
Working capital at end of period	<u>\$1,771,119</u>	<u>\$1,860,453</u>

AR26**D. A. STUART OIL CO.,
LIMITED****FINANCIAL STATEMENT****For the Six Months Ended****November 30, 1971**

To the Shareholders
D. A. Stuart Oil Co., Limited:

We present herewith a statement of the estimated earnings of your company for the six months ended November 30, 1971.

Sales for the six months under review were \$6,261,704 compared with \$6,620,591 during the same period last year, a decrease of \$358,887.

Consolidated net income for the first six months was a profit of \$63,164. For the corresponding period last year there was sustained a loss of \$45,370.

Operating results from the U.S.A. show an improvement of 10% but have still not been restored to the level of previous years.

The Canadian subsidiary continues to show growth and improvement as does the English subsidiary.

In the statement being submitted provision has been made for the devaluation of the Argentine peso. Provision has also been made for the losses in the company's European 50% owned and wholly owned subsidiaries which are substantially less than the corresponding period in 1970.

Legal action has been instituted in United States Federal Court for the Eastern District of Michigan against former executives of the Company for damages.

Despite general economic conditions your Management is of the opinion that the organizational changes made throughout the company, the results of which are reflected in this statement, provide the basis for a continuation of improved results.

The financial statements of this report are subject to audit and year-end adjustments.

On behalf of the Board

DANIEL GIANNINI
Chairman of the Board
and President

Toronto, Canada
January 28, 1972

D. A. STUART OIL CO., LIMITED
and its wholly owned subsidiaries

CONSOLIDATED STATEMENT OF INCOME

(Expressed in United States currency and subject to audit and year end adjustments)

	Six months ended November 30,	
	1971	1970
Sales	\$6,261,704	\$6,620,591
Cost of sales	4,661,965	5,040,376
Gross margin	1,599,739	1,580,215
Selling and administrative expenses	1,288,097	1,469,436
Interest on long-term debt ..	19,300	3,169
	1,307,397	1,472,605
	292,342	107,610
Allowance for share of losses of 50% owned companies	54,800	58,080
Income before income taxes	237,542	49,530
Income taxes	144,273	83,032
Income (loss) before ex- traordinary item	93,269	(33,502)
Loss on devaluation of Ar- gentine peso	30,105	11,868
Net income (loss) for the period	\$ 63,164	\$ (45,370)
Income (loss) per share ...	\$.14	\$ (.10)

**CONSOLIDATED STATEMENT OF
SOURCE AND USE OF FUNDS**

(SEE PAGE 4)

D. A. STUART OIL CO., LIMITED

and its wholly owned subsidiaries

**CONSOLIDATED STATEMENT OF SOURCE AND
USE OF FUNDS**(Expressed in United States currency and
subject to audit and year end adjustments)

	Six months ended November 30,	
	1970	1969 (restated)
Source of funds		
Net income (loss) for the period	\$ (45,370)	\$ 172,554
Items not involving current funds		
Depreciation	86,676	89,357
Deferred income taxes ..	520	
Allowance for share of losses of associated companies	58,080	64,975
Allowance for share of losses of D. A. Stuart Oil Italia S.p.A. (con- solidated in 1970) ...		115,539
	<u>99,906</u>	<u>442,425</u>
Canadian special refund- able tax		7,210
Decrease in advances to other companies	20,783	6,127
8½% Note payable	<u>57,000</u>	
	<u>177,689</u>	<u>455,762</u>
Use of funds		
Dividends	133,565	148,080
Additions to fixed assets (net)	191,272	183,581
Increase in investment in and advances to as- sociated companies in Continental Europe	78,820	29,515
Increase in investment in and advances to D. A. Stuart Italia S.p.A. (con- solidated in 1970)		28,193
Decrease in non-current portion of long-term debt	26,482	6,481
Life insurance, cash sur- render value	<u>20,250</u>	
	<u>450,389</u>	<u>395,850</u>
Increase (decrease) in work- ing capital	(272,700)	59,912
Working capital at beginning of period	<u>2,133,153</u>	<u>2,222,954</u>
Working capital at end of period	<u>\$1,860,453</u>	<u>\$2,282,866</u>

AR26**D. A. STUART OIL CO.,
LIMITED****FINANCIAL STATEMENT**

For the Six Months Ended

November 30, 1970

To the Shareholders:

We present herewith a statement of the estimated earnings of your company for the six months ended November 30, 1970.

Operations for the comparable months during 1969 have been restated to include the results of all of the company's holdings including those of the wholly-owned subsidiary in Italy and the 50% owned company in Germany.

The results are lower than those for the similar period last year and can be attributed to the following: severely reduced sales in the U.S.A. because of strikes in some of our major accounts, increased operating and general expenses which could not be recovered entirely by a price increase, accelerated inflation encountered in some markets, as well as the slow down in business that has occurred in the United States and Canadian economies.

The Canadian subsidiary maintained, and the English subsidiary regained, its profit making position. In the accompanying statements provision has been made in full for the losses experienced in the Italian and Argentinian subsidiaries and those incurred in the German and French companies have been provided for up to this company's 50% interest.

During the remainder of the year we will continue to be faced with today's difficult and uncertain business conditions. In view of this, it is planned to continue our programme of austerity in all divisions. Capital expenditures are being maintained at a minimum. Inventories throughout the company will be kept at a level to meet the requirements of current sales.

With the sales we have had to date for December and January the operating results for the last six months of the current fiscal year ending May 31, 1971 should improve. All divisions of the company, including overseas companies, since November 30 are showing an improvement over last year.

The financial statements of this report are subject to year-end adjustments.

On behalf of the Board

DANIEL GIANNINI
Chairman of the Board

Toronto, Canada
January 25, 1971

D. A. STUART OIL CO., LIMITED
and its wholly owned subsidiaries

CONSOLIDATED STATEMENT OF INCOME
(Expressed in United States currency and
subject to audit and year end adjustments)

	Six months ended November 30,	
	1970	1969 (restated)
Sales	\$6,620,591	\$7,375,686
Cost of sales	<u>5,040,376</u>	<u>5,239,681</u>
Gross margin	1,580,215	2,136,005
Operating and general expenses (net)	<u>1,484,473</u>	<u>1,378,437</u>
	95,742	757,568
Allowance for shares of losses of associated com- panies (see note)	<u>58,080</u>	<u>180,514</u>
Income before income taxes	37,662	577,054
Income taxes	<u>83,032</u>	<u>404,500</u>
Net Income (loss) for the period	<u>\$ (45,370)</u>	<u>\$ 172,554</u>
Earnings (loss) per share	<u>\$ (.10)</u>	<u>\$.38</u>

Note

The 1969 statements have been restated to include the losses of D. A. Stuart Italia S.p.A. (wholly owned) and D. A. Stuart Oil G.m.b.H. (50% owned) for the year ended May 31, 1970 on a pro-rata basis.

**CONSOLIDATED STATEMENT OF
SOURCE AND USE OF FUNDS**

(SEE PAGE 4)



D.A. STUART OIL CO., LIMITED

DIRECTORS and OFFICERS

Directors

*JOHN D. BRYCE
M. CLIFFORD DEANS
DANIEL GIANNINI
LOUIS de la GIRODAY
RAYMOND M. LARSON
GORDON McMILLAN
HERBERT W. SALTHOUSE
JAMES P. TOMLINSON

Officers of the Company

Chairman of the Board

*JOHN D. BRYCE
†DANIEL GIANNINI, M.B.E.

President & General Manager

JAMES P. TOMLINSON

Vice-President & General Sales Manager

RAYMOND M. LARSON

Treasurer

HARRY O. BUNN

Secretary

HERBERT W. SALTHOUSE

Transfer Agents and Registrars

NATIONAL TRUST COMPANY LIMITED
21 KING STREET EAST
TORONTO 1, ONTARIO

D. A. STUART OIL CO., LIMITED
2727 S. TROY STREET
CHICAGO, ILLINOIS 60623

General Office:

2727 S. TROY STREET
CHICAGO, ILLINOIS 60623

Canadian Office:

43 UPTON ROAD, SCARBOROUGH,
ONTARIO, CANADA

*Deceased September 9, 1970.

†Appointed Chairman of the Board September 24, 1970.



REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

Your directors submit herewith the annual report of your company, including the financial statements for the year ended May 31, 1970 and the auditors' report thereon.

It is with profound sorrow that the board of directors has to report to you the sudden demise on September 9, 1970 of the chairman of your board of directors, John D. Bryce. Mr. Bryce became a director of this company on May 15, 1952 and on September 24, 1964 was elected chairman of the board, which office he held until his death. We shall all sadly miss the astute judgment and wise counsel of Mr. Bryce. The officers and staff of your company — and his other friends — were very fortunate in having had the privilege of being associated with him.

NORTH AMERICA

Sales in North America, combined United States and Canadian operations, totalled \$13,317,325. Profits before taxes for these two companies were \$1,429,107 and net income for the year was \$678,141. This is a new combined record on sales and profits for these two companies.

D. A. STUART OIL CO. LIMITED, GREAT BRITAIN

Sales at D. A. Stuart Oil Co. Limited were \$730,244. A net loss of \$15,236 was reported. At date of this report, profit margins have been restored and it appears this operation is currently improving.

D. A. STUART OIL CO. (ARG.) S.A.I.C.

Sales of D. A. Stuart Oil Co. (Arg.) S.A.I.C. increased to \$245,342, but a profitable basis was not achieved. A loss of \$38,114 was reported, with \$10,000 of this loss being sustained in the final six months of the fiscal year.

Under Argentine law, this loss may be recovered from profits throughout the next ten year period.

D. A. STUART OIL ITALIA S.p.A.

D. A. Stuart Oil Italia S.p.A. is located in Limbiate, a suburb of Milan, Italy.

Sales increased to \$193,270. However an operating loss of \$218,090 was reported. This was brought about, in particular, by start-up costs still being incurred, as well as not yet being able to fully utilize manufacturing capacities of this plant.

However, in the opinion of your management, the earning prospects of this company are good, and well warrant the investment that has been made in manufacturing and laboratory facilities.

D. A. STUART OIL GmbH, GERMANY

D. A. Stuart Oil GmbH is located at Langenselbold, a suburb of Frankfurt, Germany. This company is jointly owned by D. A. Stuart Oil Co., Limited and

D. A. STUART OIL CO., LIMITED

Serving the metal working industry for 100 years

by the Johnson Group of Stockholm, Sweden through their AB Axel Christiernsson Company.

Sales of this new company were \$84,593 with a loss of \$259,900 reported. This loss is shared by the partners.

EUROPE

Losses in the European companies are recoverable from future profits of these companies in accordance with tax laws of the respective countries concerned. Your management, while working for an early turnaround situation, regards these losses to be normal for the period these companies have been in existence.

Since there is not yet evidence of a turnaround of the operating losses in these companies, provision has been made on the balance sheet for operating losses to date and these have been deducted from profits after taxes.

Changes in Swedish law relative to foreign investments have impeded the plans for joint ownership of Stuart Oil Nordiska AB and D. A. Stuart Oil Italia S.p.A. by the Johnson Group and by your company. Discussions, at this date, are continuing on this matter.

SUMMARY OF OPERATIONS FOR YEAR

The consolidated operating profits of the fiscal year before taxes were \$1,025,599 as compared to \$1,223,093 for the previous year. After providing \$748,848 for income taxes and after providing \$348,040 for losses of the Italian and German companies, the net income for the year ended May 31, 1970 amounted to \$276,751 as compared to \$468,412 for the previous year. This is equivalent to U.S. \$.61 per share as compared to the earnings of U.S. \$1.03 per share a year earlier which have been restated to include the accounts of D. A. Stuart Oil Italia S.p.A.

PRODUCT DEVELOPMENT

During the last year, many new products have been developed by our research department. Among these newly developed products, three have been considered as highly potential. They are: DASCO FR-300 HYDRAULIC FLUID, ROL-KLEEN 141 AND ROL-KLEEN 105 K-1.

DASCO FR-300 HYDRAULIC FLUID is a compounded phosphate ester that combines the lubricity and shear properties of high-quality mineral oil type hydraulic fluid with the proven fire-resistance of phosphate ester. DASCO FR-300 has a specific gravity of 0.98-0.95 and a viscosity ranging from 300 SUS at 100° F to 50 SUS at 210° F. The fluid is non-corrosive and does not contain any chlorinated biphenyl which is considered as a highly life/hazardous component in any product. DASCO FR-300 has been tested and approved by Factory Mutual Research Corporation as a less hazardous hydraulic fluid — Factory Mutual Serial No. 19535 dated January 20, 1970. The outstanding lubricating properties of DASCO FR-300 have been verified by Vickers Pump Test and Shell Four Ball



Wear Test as conducted by major steel and automotive manufacturers. Total pump wear (ring and vanes) was only 19 mg. after 1000 hours at 1200 RPM, 1800 PSI and fluid temperature of 150° F. Scar diameter in the Four Ball Wear Test (steel-on-steel) was only 0.30 mm. at 15 KG load level (60 minutes at 1800 RPM, 54° C). These results compare favorably with those achieved with high-quality mineral oil fluids in the same viscosity range. Test performed in accordance with military spec MIL-H-5696B by an independent laboratory to determine shear resistance and establish the fact that DASCO FR-300 is more stable than the ASTM fluid accepted as a standard for test. Viscosity of the DASCO FR-300 deteriorated only 2.7% (after irradiation at 130° F) compared with a 14.3% drop of the reference fluid. Based on fine qualities of DASCO FR-300, it is believed that it will replace completely compounded phosphate fluids containing chlorinated biphenols which are used at the present time in millions of gallons.

ROL-KLEEN 141. Up to recent years, hot rolling of steel has been performed without any application of lubricant to the rolls. During experimental testing, steel mill engineers found out that if the proper lubricant is applied to the rolls while rolling hot steel, it will increase the so-called "roll life" tremendously. In order to find the most suitable product, many compounds have been tested. At the present time there are only a few products that have been found suitable for this application and among them is our ROL-KLEEN 141. ROL-KLEEN 141 is a mixture of mono, di, and tri glycerides and its viscosity at 100° F is approximately 1000 SUS. The product possesses exceptionally high affinity to metal surfaces, therefore if applied properly, it increases the "roll-life" tremendously. Under normal conditions, one-half pound to one pound of hot rolling oil is needed to produce one ton of metal. According to statistics, the annual output of steel in the USA is 99,879,000 metric tons.

ROL-KLEEN 105 K-1. For years it was a belief, and still is in some instances, that palm oil was the best cold rolling oil. Steel mill engineers had to find a way to speed up production due to the great demand for steel. The only way to achieve this, was to speed up the mills. As a result, some of the steel mills are running today at the speed of 6000 F.M., compared to the old ones that had a maximum speed of 800 F.M. With the increase of speed in the mills, palm oil no longer was a suitable rolling oil. It was replaced by tallow with different additives including emulsifiers. At the present time, there is a tendency to use a synthetic water soluble rolling oil which will give a much better performance than rolling oils which are used now. Knowing that in a very short time there will be a demand for a synthetic rolling lubricant, we have developed ROL-KLEEN 105 K-1. This product has the three most desirable characteristics for the cold rolling of steel; (1) it is a pure synthetic product, (2) it has a high load-carrying ability, and (3) it is biodegradable.

DIVIDENDS

During the year, four quarterly dividends were paid totalling 65¢ per share (Canadian dollars), which amounted to \$275,697 for the fiscal year.

CURRENT OPERATIONS

The continued inflation and problems encountered in industries served by your company have had an adverse effect on earnings but the goal of your management is that of increasing sales and profits and promoting the growth of your company.

EXECUTIVE COMMITTEE

In August 1970 the directors elected an Executive Committee of five members consisting of John D. Bryce, M. Clifford Deans, Daniel Giannini, Louis de la Giroday, and James P. Tomlinson. A member to replace Mr. Bryce has not yet been appointed to fill the vacancy caused by his death.

EMPLOYEES

Effective June 1, 1964 your company established a Profit Sharing Plan for its salaried employees. The Plan represents the company's willingness to share a portion of its annual profits with its employees to be set aside for retirement.

The company's allocation to the Plan is divided among the participants according to their annual compensation. Each participant will receive one unit for each \$100 of annual compensation during the year.

The company has made the following allocations:

May 31, 1965	\$60,000.00	May 31, 1968	\$70,000.00
May 31, 1966	80,000.00	May 31, 1969	80,000.00
May 31, 1967	80,000.00	May 31, 1970	60,000.00
Total \$430,000.00			

We are happy to be able to offer this security, indicating our appreciation of the loyalty of our associates.

Without the achievements and efforts of all your employees the success in the 1970 fiscal year would not have been possible. We wish to express our appreciation to all who contributed to these results.

On behalf of the Board of Directors

D. GIANNINI
Chairman of the Board

JAMES P. TOMLINSON
President and General Manager

Toronto, Canada
October 23, 1970



D. A. STUART OIL CO., LIMITED
AND ITS WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

Year ended May 31, 1970

(with comparative figures for 1969)

Expressed in United States currency

	1970	1969 (restated)
Sales	\$14,357,067	\$13,703,661
Cost of sales	10,391,083	9,840,221
Gross margin	3,965,984	3,863,440
Selling and administrative expenses	2,806,375	2,614,678
Interest on long-term debt	4,060	3,124
	2,810,435	2,617,802
	1,155,549	1,245,638
Income from investments		6,205
	1,155,549	1,251,843
Allowance for share of loss of 50% owned company	129,950	28,750
Income before income taxes and extraordinary item	1,025,599	1,223,093
Income taxes		
Current	745,848	743,606
Deferred	3,000	(12,628)
	748,848	730,978
Income before extraordinary item	276,751	492,115
Loss on sale of investments		23,703
Net income for the year (note 5)	\$ 276,751	\$ 468,412
Earnings per share		
Before extraordinary items	\$.61	\$ 1.08
Extraordinary items		(.05)
Net income	\$.61	\$ 1.03

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended May 31, 1970

(with comparative figures for 1969)

Expressed in United States currency

	1970	1969 (restated)
Balance at beginning of year		
As previously reported	\$3,414,679	\$3,135,246
Adjustment to 1969 net income arising from consolidation of D. A. Stuart Oil Italia S.p.A.	65,842	
As restated	3,348,837	
Net income for the year	276,751	468,412
	3,625,588	3,603,658
Dividends* (60¢ per share in 1970, 56¢ per share in 1969)	275,697	254,821
Balance at end of year	\$3,349,891	\$3,348,837

*Dividends were declared in Canadian funds 1970, 65¢ per share and 1969, 60¢ per share. Amounts shown above are stated in U.S. funds.



D. A. STUART OIL CO., LIMITED
AND ITS WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

Year ended May 31, 1970

(with comparative figures for 1969)

Expressed in United States currency

	1970	1969
		(restated)
Source of funds		
Income before extraordinary item	\$ 276,751	\$ 492,115
Items not involving current funds		
Depreciation	170,675	162,921
Deferred income taxes	3,000	(12,628)
Allowance for share of loss of 50% owned company	129,950	28,750
	<u>580,376</u>	<u>671,158</u>
Canadian special refundable tax	9,863	14,875
Proceeds from sale of investments		5,568
	<u>590,239</u>	<u>691,601</u>
Use of funds		
Dividends	275,697	254,821
Additions to fixed assets (net)	263,952	216,478
Decrease in non-current portion of long-term debt	13,899	12,963
Increase in investment in and advances to D. A. Stuart Oil GmbH	85,012	51,459
Increase in advances to other companies	13,955	48,981
Life insurance, cash surrender value	950	975
	<u>653,465</u>	<u>585,677</u>
Increase (decrease) in working capital	(63,226)	105,924
Working capital at beginning of year		
As previously reported	2,222,954	2,090,455
Reduction of working capital arising from consolidation of D. A. Stuart Oil Italia S.p.A.	26,575	
As restated	<u>2,196,379</u>	<u>2,090,455</u>
Working capital at end of year	<u>\$2,133,153</u>	<u>\$2,196,379</u>

TEN YEAR COMPARATIVE REVIEW OF OPERATIONS

	<u>Sales</u>	<u>Income before income taxes</u>	<u>Income taxes</u>	<u>Net income for the year</u>	<u>Dividends declared</u>	<u>Income retained</u>
1970	\$14,357,067	\$1,025,599	\$ 748,848	\$ 276,751	\$ 275,697	\$ 1,054
1969	13,703,661	1,199,390*	730,978	468,412	254,821	213,591
1968	11,331,133	840,232*	457,888	382,344	285,272	97,072
1967	10,636,223	1,083,039	511,218	571,821	221,904	349,917
1966	10,459,046	1,179,698	561,679	618,019	211,760	406,259
1965	9,376,649	1,016,465	499,246	517,219	185,280	331,939
1964	7,988,488	912,193	445,319	466,874	171,096	295,778
1963	7,021,539	745,969	365,798	380,171	142,580	237,591
1962	6,612,077	568,391	277,853	290,538	142,580	147,958
1961	5,535,205	491,367	242,668	248,699	170,952	77,747

* Income before income taxes is after a reduction of \$23,703 in 1969 and \$21,418 in 1968 for extraordinary items.



D. A. STUART OIL CO., LIMITED
(Incorporated under the laws of Ontario)
AND ITS WHOLLY OWNED SUBSIDIARIES

ASSETS

	1970	1969 (restated)
Current assets		
Cash	\$ 163,121	\$ 574,572
Accounts receivable	1,919,363	1,981,354
Inventories, at lower of cost and market	1,697,202	1,408,266
Drums, other containers and supplies	157,969	176,241
Advances and prepaid expenses	118,815	121,595
	<u>4,056,470</u>	<u>4,262,028</u>
Investments, at cost		
Investment in and advances to D. A. Stuart Oil GmbH (50% owned)	167,866	82,854
Allowance for share of loss	158,700	28,750
	<u>9,166</u>	<u>54,104</u>
Marketable securities (market value 1970, \$17,955; 1969, \$28,595 Canadian dollars)	34,308	34,308
Advances to other companies	62,936	48,981
	<u>106,410</u>	<u>137,393</u>
Other assets		
Canadian special refundable tax		9,863
Life insurance, cash surrender value	4,197	3,247
Deferred income tax charges (note 2)	3,203	6,203
	<u>7,400</u>	<u>19,313</u>
Fixed assets, at depreciated values as appraised by the American Appraisal Company as at June 1, 1952 with subsequent additions at cost (note 3)		
Land, buildings and equipment	2,976,376	2,723,125
Less accumulated depreciation since date of appraisal	1,432,637	1,272,663
	<u>1,543,739</u>	<u>1,450,462</u>
	<u>\$5,714,019</u>	<u>\$5,869,196</u>

Approved by the Board:

D. GIANNINI, Director.

JAMES P. TOMLINSON, Director.

CONSOLIDATED BALANCE SHEET—MAY 31, 1970

(with comparative figures at May 31, 1969)

Expressed in United States currency

LIABILITIES

	1970	1969
Current Liabilities		(restated)
Bank advances	\$ 250,349	\$ 38,429
Accounts payable and accrued expenses	1,209,878	1,517,742
Income taxes payable	242,671	310,026
Other taxes payable	90,648	67,541
Dividend payable	63,829	63,498
Liability for returnable containers	52,979	55,450
Principal due within one year on long-term debt	12,963	12,963
	<u>1,923,317</u>	<u>2,065,649</u>
Long-term debt		
6½ % Note payable, \$3,241 principal plus interest quarterly, balance due July 1, 1972	29,166	43,065
Less principal included in current liabilities	12,963	12,963
	<u>16,203</u>	<u>30,102</u>

SHAREHOLDERS' EQUITY

Capital stock		
Authorized — 800,000 common shares of no par value		
Issued — 456,256 shares	424,608	424,608
Retained earnings (note 4)	3,349,891	3,348,837
	<u>3,774,499</u>	<u>3,773,445</u>
	<u>\$5,714,019</u>	<u>\$5,869,196</u>

Contingent liabilities (note 6)



D. A. STUART OIL CO., LIMITED
AND ITS WHOLLY OWNED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended May 31, 1970

1. BASIS OF CONSOLIDATION

The company operates in the United States and the accompanying financial statements are expressed in United States currency.

At May 31, 1969, the accounts of the company's wholly owned subsidiary in Italy were not consolidated as negotiations for transfer of a 50% interest in this company were in progress. During the current year these negotiations were not concluded and as a result the accounts of this subsidiary have been consolidated herein and the 1969 figures have been restated accordingly.

In addition to D. A. Stuart Oil Italia S.p.A., the accounts of Canadian D. A. Stuart Oil Co. Limited, D. A. Stuart Oil Co. Limited (English subsidiary), D. A. Stuart Oil Co. (Argentina) S.A.I.C. and D. A. Stuart Oil Co., S.R.L. (Argentina subsidiary) have been consolidated with the accounts of the parent company and have been translated on the following basis:

Current assets and liabilities, at exchange rates prevailing at May 31, 1970;

Fixed assets, capital stock and earnings accumulated prior to June 1, 1964 on the basis of U.S. \$1 = Canadian \$1 and U.S. \$2.80 = £1;

Income and expenses and additions to fixed assets at average rates in effect annually during the years since June 1, 1964.

2. DEFERRED INCOME TAX CHARGES

Deferred income tax charges are comprised of the following:

Income tax benefits to be realized in future years by applying the 1968 loss carry-forward to reduce future taxable income of the Argentina subsidiary

\$ 19,351

Deferred income taxes to May 31, 1970 applicable to the parent and other subsidiary companies

16,148

\$ 3,203

3. FIXED ASSETS

	1970			1969
	Asset value	Accumulated depreciation	Net	Net
Land	\$ 186,209		\$ 186,209	\$ 186,209
Buildings and railway siding	1,111,295	\$ 327,198	784,097	663,240
Factory equipment	1,271,540	834,124	437,416	475,677
Office and laboratory equipment	286,632	185,404	101,228	73,274
Aircraft				495
Automotive equipment	120,700	85,911	34,789	51,567
	<u>\$2,976,376</u>	<u>\$1,432,637</u>	<u>\$1,543,739</u>	<u>\$1,450,462</u>

4. RETAINED EARNINGS

Dividends from the English subsidiary are subject to exchange control authorization, which is usually granted, and withholding taxes at time of payment.

5. NET INCOME

In determining consolidated net income the following have been taken into account:

	1970	1969
Loss of Italian Subsidiary	\$ 218,090	\$ 90,842
Loss of Argentina Subsidiary	38,114	52,485
Allowance for the company's share of loss of D. A. Stuart Oil GmbH (50% owned)	129,950	28,750

No deferred tax adjustment has been provided in connection with the losses for the 1970 and 1969 fiscal years. Income tax benefits to be realized in future years in connection with the Argentina subsidiary in the amount of \$19,531 were provided for in 1968 (note 2).

6. CONTINGENT LIABILITIES

The company has provided guarantees to a maximum of \$152,500 for bank loans to be made to D. A. Stuart Oil GmbH, Germany. As at May 31, 1970, loans guaranteed amounted to \$144,000.

7. OTHER STATUTORY INFORMATION

The following are reflected in net income for the year:

	1970	1969
Depreciation	\$ 170,675	\$ 162,921
Remuneration of directors and senior officers (as defined by The Corporations Act)	\$ 129,118	\$ 189,525
Other employees	66,695	87,136
	\$ 195,813	\$ 276,661

8. COMPARATIVE FINANCIAL STATEMENTS

The 1969 figures have been restated to include the consolidation of D. A. Stuart Oil Italia S.p.A. (note 1) and to conform with the basis of presentation used for the 1970 financial statements.

AUDITORS' REPORT

To the Shareholders of
D. A. Stuart Oil Co., Limited

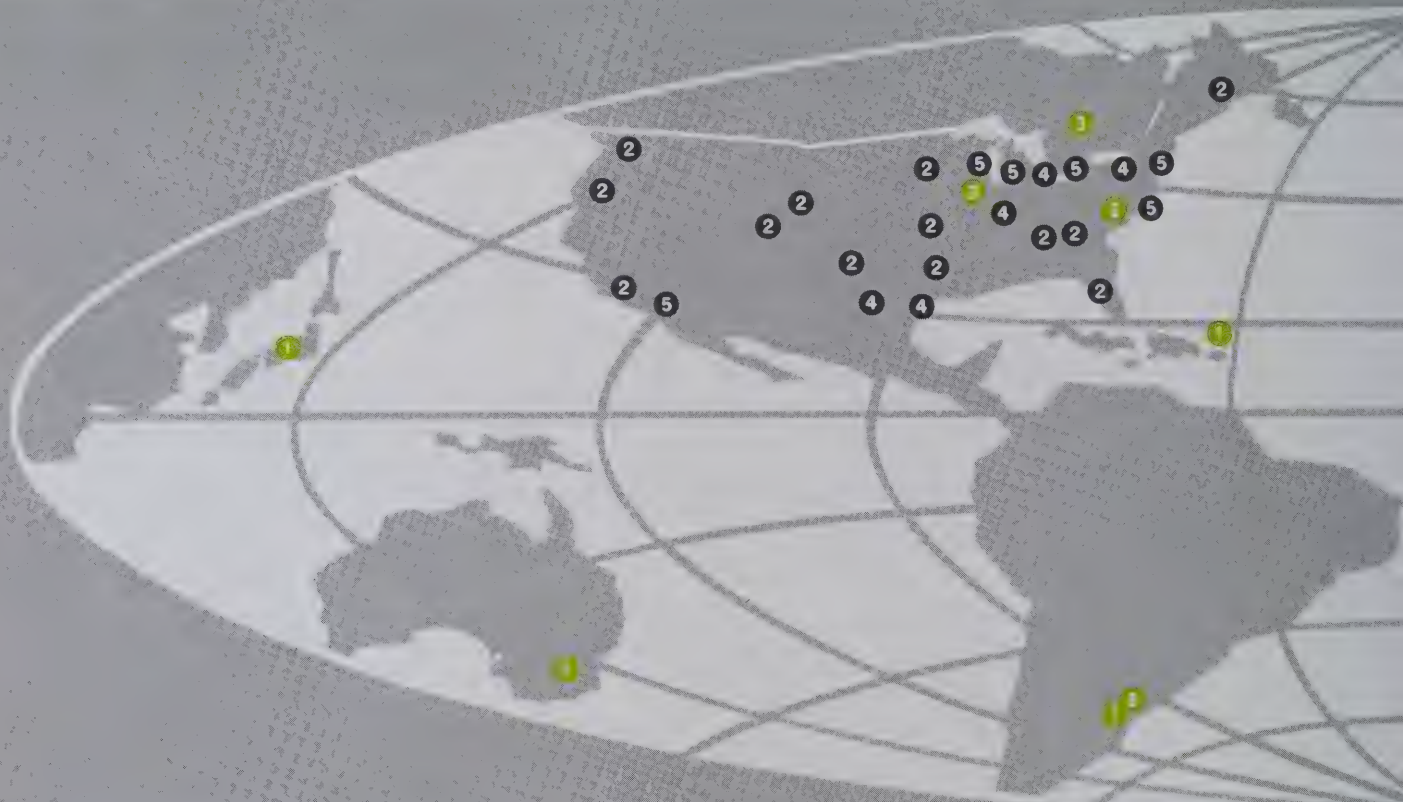
We have examined the consolidated balance sheet of D. A. Stuart Oil Co., Limited and its wholly owned subsidiaries as at May 31, 1970 and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at May 31, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving effect in that year to the consolidation of the wholly-owned Italian subsidiary (note 1).

Toronto, Canada,
August 6, 1970.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

INTERNATIONAL FACILITIES: UNITED STATES • CANADA



1

INTERNATIONAL

ARGENTINA
D. A. Stuart Oil Co., (Arg.) S.A.I.C.

AUSTRALIA, New South Wales
Ampol Petroleum Ltd.

ENGLAND, Wolverhampton
D. A. Stuart Oil Co. Limited

FRANCE, Paris 92 Clamart
D. A. Stuart Oil France S.A.

GERMANY, Langenselbold
D. A. Stuart Oil GmbH

ITALY, Limbiate (Milan)
D. A. Stuart Oil Italia S.p.A.

JAPAN, Tokyo
Takata & Co. Ltd.

PUERTO RICO, Hato Rey
General Gases & Supplies

SOUTH AFRICA, Johannesburg
Jet Oil Company (Pty) Ltd.

SCOTLAND, Stirling
C. A. Rankine

2

DISTRIBUTORS

ATLANTA, Ga.
Cowan Supply Company

BIRMINGHAM 2, Ala.
Young & Vann Supply

DENVER, Colo.
Union Supply Co.

GREENVILLE, Miss.
Walcott Chemicals, Inc.

KANSAS CITY, Mo.
Dens-Oil Lubricant Company

MINNEAPOLIS, Minn.
The Satterlee Company

OKLAHOMA CITY, Okla.
Hart Industrial Supply

PORTLAND, Maine
Loren Dyer Co., Inc.

PORTLAND, Oregon
Davis Industrial Products

SAN MATEO, California
Bay City Oil Company

SEATTLE, Washington
Seaport Supply Company

TAMPA, Florida
Tool & Die Supply Company

TULSA, Oklahoma
Krisman Industrial Supply

3

MANUFACTURING

CHICAGO, Illinois
D. A. Stuart Oil Co., Limited

SOMERVILLE, New Jersey
D. A. Stuart Oil Co., Limited

SCARBOROUGH, Ontario, Canada
Canadian D. A. Stuart Oil Co., Limited

ARGENTINA, Buenos Aires
D. A. Stuart Oil Co., (Arg.) S.A.I.C.

ENGLAND, Wolverhampton
D. A. Stuart Oil Co., Limited

GERMANY, Langenselbold
D. A. Stuart Oil GmbH

ITALY, Limbiate (Milan)
D. A. Stuart Oil Italia S.p.A.

4

WAREHOUSES

DALLAS, Texas
Blue Chip Delivery, Inc.

DAYTON, Ohio
Lewis & Michael Inc.

HOUSTON, Texas
Palmer Whse. & Trans. Co.

INDIANAPOLIS, Indiana
Merchandise Warehouse Company

SYRACUSE, New York
Robert M. Haley Warehouse

5

BULK PLANTS

CHICAGO, Illinois

CLEVELAND, Ohio

DETROIT, Michigan

LOS ANGELES, California

SOMERVILLE, New Jersey

SOUTH WINDSOR, Connecticut

• EUROPE



6

EUROPE

DENMARK, Copenhagen — Gentofte
Firma P.V. Nordentoft

FINLAND, Helsinki
Oy Teknoma AB

FRANCE, Paris 92 Clamart
D. A. Stuart Oil France S.A.

NORWAY, Oslo
Avimar A/S

SPAIN, Madrid
MecanOil, S.A.

SWEDEN, Goteborg 2
Stuart Oil Nordiska AB

SWITZERLAND, Berne 5
Milioil GmbH



